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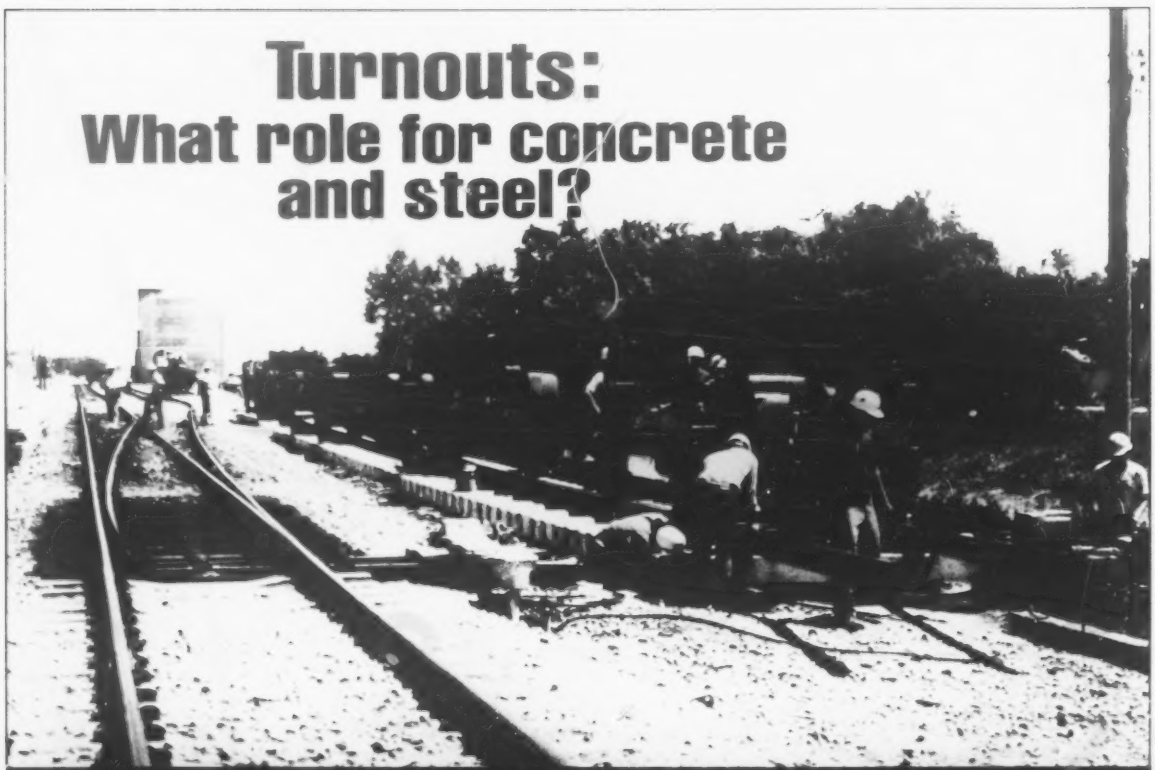
April 1989

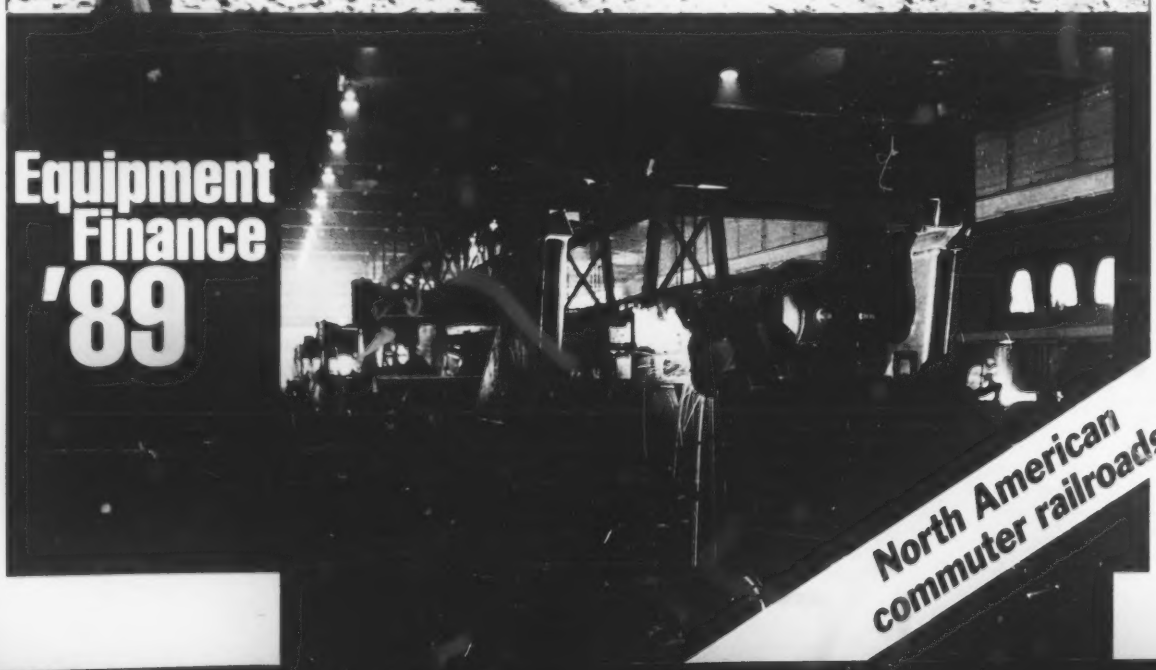
Railway Age

...for the new age of railways and rail transit

Turnouts: What role for concrete and steel?



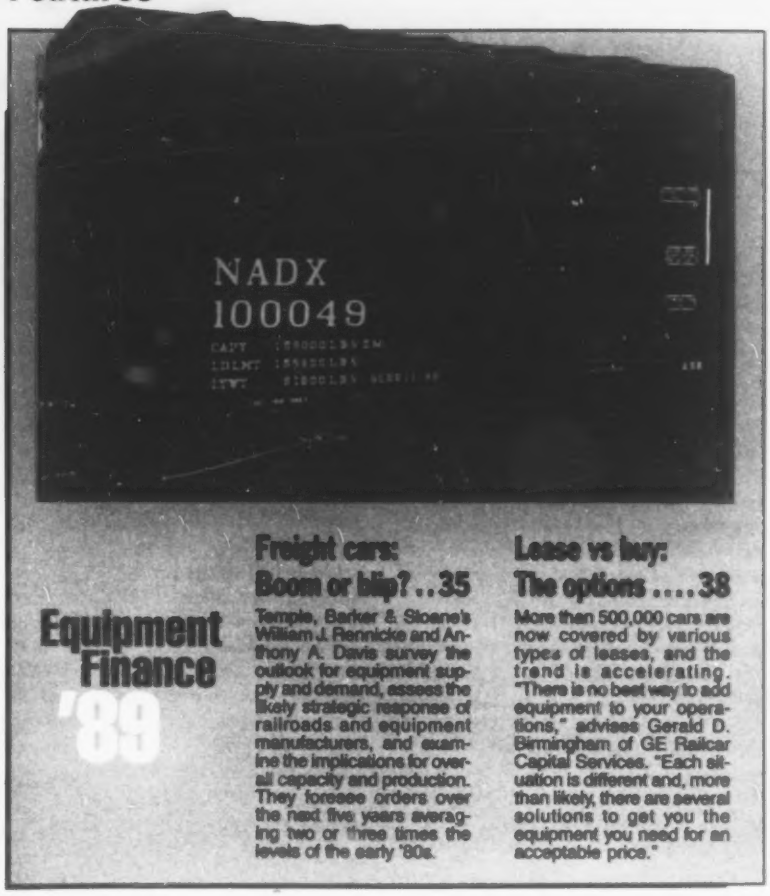
Equipment Finance '89



North American commuter railroads

Railway Age
...for the new age of railways and rail transit
April 1989

Features



Equipment Finance '89

Freight cars: Boom or blip? ..35

Temple, Barker & Sloane's William J. Rennicke and Anthony A. Davis survey the outlook for equipment supply and demand, assess the likely strategic response of railroads and equipment manufacturers, and examine the implications for overall capacity and production. They foresee orders over the next five years averaging two or three times the levels of the early '80s.

Lease vs buy: The options 38

More than 500,000 cars are now covered by various types of leases, and the trend is accelerating. "There is no best way to add equipment to your operations," advises Gerald D. Birmingham of GE Railcar Capital Services. "Each situation is different and, more than likely, there are several solutions to get you the equipment you need for an acceptable price."

29 What's new in turnouts

BN is finding that concrete-tie turnouts with swing-nose frogs permit increased speeds (to 35 mph). Steel-tie turnouts are also in the picture. In its quest for 60-mph turnouts, BN is increasingly looking to European technology.

30 Commuter roads: Old lines, new challenges

In Part I of a road-by-road survey, William D. Middleton examines the operations and the multi-billion-dollar expansion plans of commuter operating agencies in Boston, metropolitan New York-New Jersey, and Philadelphia.

Comment

6 Inside
14 Watching Washington
17 Equipment Financial Trends
18 Lines on Labor

Departments

9 Industry Outlook
10 Market Outlook
52 Advertising Sales
55 People in the News
56 Products
63 100 Years Ago
68 Advertisers Index
69 Meetings
70 Letters

Update

21 ATSF a big loser in coal-slurry antitrust case
21 GATX Leasing orders locomotive overhauls
21 Washington Guide delayed
22 Prospect Group wins its bid for IC
22 Mississippian picked for FRA
22 Rumanian cars again available
23 New TOFC service for perishables
23 RoadRailer rolls into Jacksonville
23 ICC rejects SP abandonment plea
24 May 23 start-up set for Atlantic City line
24 Amtrak upgrades tableware in test
24 UTDC negotiating Ankara contract
26 New York bustles with APM activity
60 LACTC dedicates light rail yard
60 Midwest group buys Penn Machine Co.
60 "Coasting" cars cut energy costs

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INSIDE

An accelerating game of catch-up

LUTHER S. MILLER

In Montreal this month, several hundred of the people who buy, build, lease, and finance freight cars and locomotives will gather at the Queen Elizabeth Hotel to probe the state of the railway equipment industry and to try to chart its course in coming months and years. The April 9-13 sessions—sponsored by a broad-based group of supply industry companies, including *Railway Age*—will examine motive power trends (April 9-10), freight cars in general (April 11-12), and grain cars (April 12-13), all under the rubric of Rail Equipment Finance '89.

These sessions will be, in effect, a continuation of an extraordinarily well-attended and stimulating conference that took place last June in St. Louis (*RA*, July 1988, p. 41). Again this year Anthony D. Kruglinski will be the general moderator. Until recently, Kruglinski was vice president and general manager of the Transport Department of the Irving Trust Co. He now heads his own company, the Railroad Financial Corp. based in Princeton N.J. (He also makes his debut this month as a regular *Railway Age* columnist; see p. 17.)

Last year's conference ended on a cautiously upbeat note: The freight-car and locomotive markets appeared to be coming back, after years in the doldrums.

What has happened in the ensuing year has given rise to even more optimism (though "cautious" is still a necessary qualifier, as Bill Rennicke and Anthony Davis of Temple, Barker & Sloane point out in their article, "Freight cars: Boom or blip?" in this issue, p. 35).

Deliveries of new and rebuilt locomotives last year—531—were higher than the most optimistic forecasts. This year they will exceed 700 and they could soon approach 1,000. (The hot news in locomotives is not all in numbers: A major western road is expected soon to announce an order for half a dozen or more freight locomotives equipped with a.c. propulsion—a "first" in the U.S. that could signal a major motive power revolution.)

The freight car numbers also look good, better than anyone expected at St. Louis last year. Deliveries rose to more than 22,500 last year, up from a low of 5,772 in 1983. Expert forecasts now call for 30,000 cars delivered in 1989, though the official forecast of the American Railway Car Institute is still around 24,000.

There's even talk that a shrunken U.S. freight car building industry cannot meet the demand—that we may have to import cars from Mexico and Canada and even from Korea and Rumania. There is already, in fact, some importing of railcar kits, and there will be more, but domestic capacity right now is not a problem. A greater problem is the tightening supply of structural steel and certain car components, though no critical shortages are reported.

The biggest carbuilder, Trinity Industries, says it's "about 75% to 80% sold out through 1989," with some lines—for plastic pellet cars, for example—booked into 1990. L. Clark Wood, vice president and director of railcar sales, says activity has also been strong in tank cars, coal cars and auto racks. Trinity expects its overall car production to increase by 25% to 30% this year.

"Business is good," confirms Leonard Sis, Thrall Car's vice president sales and marketing. "We're not at capacity but we're close. We still have some space in the third and fourth quarters."

Business is also booming in the leasing business. About 500,000 freight cars of all types are under various types of lease, and the numbers are rising. The leasing options are explored in an article in this issue by Gerald D. Birmingham, senior vice president, sales and marketing, GE Capital Railcar Services (p. 38).

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MARKET OUTLOOK

Equipment

Chicago Transit Authority: New York Rail Car Corp. is rebuilding 136 2200 Series CTA cars at its facility at the Brooklyn Army Terminal. The company last year submitted a low bid of $553,000 per pair of cars for the work.

Conrail: Placed a $133-million order with General Electric for 100 4,000-hp C40-8 locomotives to be delivered in 1990.

Maryland Department of Transportation: Awarded a $61-million contract to ABB Traction Inc. for 35 articulated light rail vehicles, for the Mass Transit Administration in Baltimore, with an option for an additional 10-20 LRVs. The first vehicle is scheduled for delivery in December 1990.

Massachusetts Bay Transportation Authority: Ordered an additional 51 commuter coaches from Bombardier Inc. of Montreal at a cost of approximately $46 million, exercising an option that was part of a 1988 contract under which MBTA ordered 56 cars. The total contract is valued at more than $90 million. First deliveries are to be made this summer. Bombardier's first order from MBTA came in February 1987; it was for 40 push-pull commuter coaches, all now in service. The new coaches will be manufactured at Bombardier's plants in La Pocatiere, Que., and Barre, Vt. They are similar to cars which Bombardier has built for NJ Transit, Metro-North, and the Southeastern Pennsylvania Transportation Authority.

New Jersey Transit: Exercised an option to purchase three additional locomotives under an existing contract with ABB Traction Inc, bringing the total number on order to nine. Total value of the order is $41 million, with the first locomotive scheduled for delivery in February 1990.

Port of Seattle: Ordered three PACECO 5045 spreaders from Coast Engineering & Manufacturing Co., a subsidiary of Fruehauf. The spreaders, which are capable of picking up 20/40/45-foot containers, will be delivered by this summer.

Santa Fe: Ordered 425 on-board flange lubricators from TSM for installation this year.

Taipei (Taiwan): Alsthom of France has awarded a $4 million contract to the Brooklyn, N.Y., firm of Nemko, Inc. for assembly of 60 automated transit cars which Alsthom and Matra Transit, Inc. are supplying for a new seven-mile people-mover line in Taipei.

Facilities

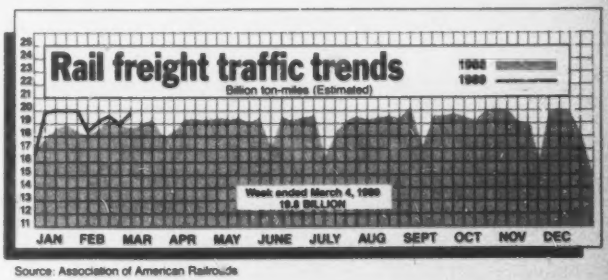
CP Rail: Will begin construction this summer of a $29 million (Canadian), 200 acre intermodal terminal in Vaughan, Ont., northwest of Toronto. The new terminal will primarily handle Western Canadian domestic traffic as well as marine containers to and from western ports. The Obico terminal at Toronto will continue to handle import/export container traffic to and from eastern ports and domestic business for Eastern Canada and the U.S. The Vaughan terminal will have four 2,000-foot working tracks under three cranes along with six storage and makeup tracks of similar length. It will have two 5,000-foot lead tracks from the CP Rail main line and a wye track from the main line.

Revenue freight carloadings

Commodity	Mar. 4 week	Feb. 25 week	Feb. 18 week	Feb. 11 week
Grain	33,284	29,296	32,691	28,827
Other farm products	1,526	1,465	1,631	1,657
Metallic ores	13,263	12,046	12,499	12,718
Coal	127,192	124,466	124,362	115,624
Crushed stone, gravel and sand	11,869	10,955	12,000	9,643
Nonmetallic minerals	9,316	9,226	9,554	8,932
Grain mill products	9,657	9,707	10,287	10,124
Food and kindred products	9,035	8,806	9,312	8,495
Primary forest products	9,293	8,734	9,720	8,446
Lumber and wood products	7,234	6,913	6,782	6,004
Pulp, paper and allied products	11,134	10,887	10,811	10,448
Chemicals	28,359	26,754	29,293	26,076
Petroleum products	5,211	4,508	5,007	4,436
Stone, clay and glass products	9,196	8,632	9,490	8,632
Coke	5,817	5,426	5,352	5,553
Metals and products	10,764	9,799	9,551	9,129
Motor vehicles and equipment	21,494	21,514	22,113	20,970
Waste and scrap materials	9,264	8,889	9,621	8,912
Forwarder and shipper assn. traffic	7	5	8	5
All other carloads	6,977	6,847	7,370	24,656
Total Cars Loaded	**338,992**	**324,697**	**336,484**	**327,291**
% change from previous year	1.3	(4.7)	3.0	2.2%
			% change	
Cumulative total: 9 weeks		2,947,882	.2	
Estimated revenue ton-miles (billions)	19.8	18.9	19.6	19.1
% change from previous year	2.1	(4.1)	3.7	2.1
Total:		**1989**	**1988**	**% change**
9 weeks		172.3	170.0	1.4

Intermodal traffic

	Mar. 4	Feb. 25	Feb. 18	Feb. 11
Trailers	71,063	65,539	68,748	65,823
Containers	45,717	46,650	49,533	45,520
Total	**116,780**	**112,189**	**118,281**	**111,343**
% change from previous year	.0	(1.9)	6.3	(.2)
				% change
Cumulative total: 9 weeks			994,881	.9


Rail freight traffic trends
Billion ton-miles (Estimated)
1988
1989
Week ended March 4, 1989
19.8 BILLION
JAN FEB MAR APR MAY JUNE JULY AUG SEPT OCT NOV DEC

Source: Association of American Railroads